

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7084

BILL NUMBER: SB 225

NOTE PREPARED: Jan 2, 2009

BILL AMENDED:

SUBJECT: Foreclosure and Tenants.

FIRST AUTHOR: Sen. Lubbers

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Owner Notification of Tenants-* The bill requires the owner of real property containing a rental unit to notify the tenants if a judgment of foreclosure is entered concerning the property, and permits a tenant to terminate a rental agreement if a judgment of foreclosure is entered against the owner. The bill authorizes a tenant to bring a civil action if the owner does not comply with the notice provisions, and provides that a tenant who terminates a rental agreement early in compliance with the statute does not forfeit the damage deposit.

Tenant Possession- The bill provides that a tenant in possession of rental premises on the date that ownership is transferred to a mortgagee is permitted to remain in the premises until the earlier of: (1) the date the rental agreement expires; (2) the effective date the rental agreement is terminated; or (3) 60 days, as long as the tenant pays rent and other charges due to the mortgagee. The bill makes other changes and conforming amendments.

Effective Date: July 1, 2009.

Explanation of State Expenditures:

Explanation of State Revenues: *Summary-* Without the proper notification specified above, a tenant would be able to pursue civil action against their land owner. A mortgagee, lienholder, or other successor party of interest would be able to pursue legal action against a rental tenant that fails to pay rent or other charges due under a rental agreement.

Court Fee Revenue: If additional civil actions occur and court fees are collected, revenue to the state General Fund may increase. A civil costs fee of \$100 would be assessed when a civil case is filed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$18), public defense administration fee (\$3), court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Court Fee Revenue:* If additional civil actions occur, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$100 civil costs fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected:

Local Agencies Affected: Trial courts, city and town courts.

Information Sources:

Fiscal Analyst: Chris Baker, 317-232-9851.